

**CITY OF FRANKLIN, LOUISIANA****Financial Report****Year Ended April 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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(A Corporation of Certified Public Accountants)

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Raymond Harris, Mayor  
and Members of the City Council  
City of Franklin, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2005, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Franklin, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of the City of Franklin, Louisiana, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Franklin, Louisiana, as of April 30, 2005 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in Note 13 the annual pension costs and net pension obligations for certain employees are not computed nor reported in accordance with accounting principles generally accepted in the United States of America. The effect of this departure from accounting principles generally accepted in the United States of America on the financial statements cannot be reasonably determined.

In our opinion, except for the effects of not providing for the proper amount of pension expense and related required disclosures as discussed in the proceeding paragraph, the financial

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statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Franklin, Louisiana, as of April 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The City of Franklin, Louisiana, adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements as of May 1, 2004. This results in a change in the format and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2005 on our consideration of the City's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management’s discussion and analysis and budgetary comparison information on pages 4 through 13 and 57 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Franklin, Louisiana’s financial statements. The accompanying financial information listed as “Supplemental Information” in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked “unaudited” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana  
August 17, 2005

## **FINANCIAL SECTION**

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

The Management's Discussion and Analysis (MD & A) of the City of Franklin's (City) financial performance provides an overall review and an objective, easily readable analysis of the City's financial activities for the fiscal year ended April 30, 2005. The intent of the MD & A is to look at the City's overall financial performance and to assist in assessing the financial position as a result of the year's operations. Therefore, readers should read the MD & A in conjunction with the City's Financial Statements and the Notes to the Financial Statements.

The MD & A is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year 2005 and the prior year 2004 is required to be presented in the MD & A. However, because this is the first year of implementing the new reporting model, certain essential data of the previous year was not prepared. Considering the financial resources necessary to prepare comparative data and that Statement No. 34 permits the omission of prior year data in the year of implementation, the City's administrators have elected not to prepare comparative data due to cost related factors in modifying prior year's financial statements to reflect Statement No. 34's reporting requirements.

### FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities by \$9,736,766 (net assets) for the fiscal year reported. Total net assets are comprised of the following:

1. Capital assets, net related debt, of \$8,007,092 of which include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Restricted net assets of \$548,469 of which include \$515,905 for Debt Service and \$32,564 for Perpetual Service.
3. Unrestricted net assets of \$1,181,205 represent the portion available to maintain the City's continuing obligations to the citizens and creditors.

The City's governmental funds reported total ending fund balance of \$1,694,799 this year. The General Fund total fund balance is \$113,479 for Fiscal Year Ended April 30, 2005.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$113,479.

Overall, the City maintained a good financial position, in spite of a proportional depressed economy.

The above financial highlights are explained in more detail in the financial "analysis" section of this report.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

With the implementation of Governmental Accounting Standards Statement No. 34 a government's presentation of financial statements has been significantly changed. The new statements focus on the government as a whole (government – wide) and the major individual funds. Both perspectives (government – wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison and will enhance the City's accountability. The basic financial statements include: (1) government – wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

#### GOVERNMENT – WIDE FINANCIAL STATEMENTS

The City's annual report includes two government-wide financial statements. These statements provide both long term and short term data about the City's overall financial position. Financial reporting at this level uses a perspective similar to that of the private sector with its basis in accrual accounting and reclassification of activities between funds.

The first statement of the government-wide financial statement is the Statement of Net Assets. This statement presents data on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The second of the government-wide statement, is the Statement of Activities. This statement presents data showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flow. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The focus of the Statement of Activities is to reflect the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize governmental services and business-type activities.

Both government-wide financial statements distinguish activities of the City that are principally supported by sales taxes and from business-type activities that are intended to recover all or a significant portion of its cost through user fees and charges. Government activities include general government, public safety, streets and drainage, culture and recreation, sanitation services, urban redevelopment and housing, and economic development and assistance. Business-type activities include the water utility system.

The government-wide financial statements are presented on pages 14 through 17 of this report.



## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while others are combined in a single or aggregated presentation. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

"Governmental funds" are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short term fiscal accountability focusing on the use of available resources and balances of available resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of available resources for the near term.

Since the government-wide focus includes the long term view, comparisons between the two perspectives may provide insight into long term impact or short term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between the two perspectives.

The basic governmental fund financial statements are presented on pages 18 through 23 of this report.

"Proprietary funds" are reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business type activities in the government wide statements. Services are provided to customers for water services.

The enterprise fund financial statements are presented on pages 24 through 28.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide data essential to a full understanding of the government wide and fund financial statements. The notes to the financial statements are presented on pages 30 through 55.

CITY OF FRANKLIN, LOUISIANA  
Management's Discussion and Analysis

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary data concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary data" for General Fund and Liquid and Solid Waste Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 57 through 59 of this report.

Combining and individual statements and schedules for non major funds are presented on pages 61 through 70 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City used the new financial reporting model used in this report beginning with fiscal year ended April 30, 2005. Over time, as year to year financial data is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The City's assets at fiscal year end are \$9,736,766. The following schedule provides a summary of the City's net assets:

CITY OF FRANKLIN, LOUISIANA

Condensed Statement of Net Assets  
April 30, 2005

	Governmental Activities	Business-Type Activities	Total	Percent Total
<b>Assets:</b>				
Current Assets and Other Assets	\$ 2,316,481	\$ 339,494	\$ 2,655,975	18%
Restricted Assets	-	210,341	210,341	1%
Capital Assets	<u>11,260,051</u>	<u>732,958</u>	<u>11,993,009</u>	<u>81%</u>
Total Assets	<u>\$ 13,576,532</u>	<u>\$ 1,282,793</u>	<u>\$14,859,325</u>	<u>100%</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 1,238,289	\$ 119,236	\$ 1,357,525	27%
Payable From Restricted Assets	-	169,183	169,183	3%
Long-Term Liabilities	<u>3,220,851</u>	<u>375,000</u>	<u>3,595,851</u>	<u>70%</u>
Total Liabilities	<u>\$ 4,459,140</u>	<u>\$ 663,419</u>	<u>\$ 5,122,559</u>	<u>100%</u>

# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

### City of Franklin, Louisiana Condensed Statement of Net Assets (Continued) April 30, 2005

	Governmental Activities	Business-Type Activities	Total	Percent Total
Net Assets:				
Investment In Capital Assets/Net Debt	\$ 7,679,134	\$ 327,958	\$ 8,007,092	82%
Restricted	511,792	36,677	548,469	6%
Unrestricted	<u>926,466</u>	<u>254,739</u>	<u>1,181,205</u>	<u>12%</u>
Total Net Assets	<u>\$ 9,117,392</u>	<u>\$ 619,374</u>	<u>\$ 9,736,766</u>	<u>100%</u>

Note that approximately 82%, totaling \$8,007,092, of the City's net assets as of April 30, 2005 reflects the government's investment in capital assets (property, plant, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. Of this total, the portion reflected in the governmental activities is approximately 96% of governmental assets, totaling \$7,679,134, and the portion reflected in the business type activities is approximately 4% of business-type net assets, totaling \$327,958. The city uses these capital assets to provide services to its citizens; consequently, these assets are not available for future disbursement.

Although the City's investment in these capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 6%, totaling \$548,469, are subject to certain restriction: \$36,677 is restricted for business type activities debt service and \$479,228 is restricted for governmental activities debt service. The remaining \$32,564 is nonexpendable perpetual care restricted governmental activities.

Approximately 12%, totaling \$1,181,205, of the net assets, are unrestricted and may be used to meet the ongoing obligations of the government to its citizens and creditors.

At the end of the current fiscal year, the City is able to report a positive balance in total net assets.

Since this is the first year that the government wide data is available, comparative data is not presented. However, comparative data will be accumulated and presented to assist analysis in future years. The following schedule provides a summary of the City's changes in net assets.

CITY OF FRANKLIN, LOUISIANA  
Management's Discussion and Analysis

City of Franklin, Louisiana  
Condensed Statement of Activities  
For The Year Ended April 30, 2005

	Governmental Activities	Business-Type Activities	Total	Percent Total
Revenues:				
Program:				
Charges For Services/Fines	\$ 1,195,233	\$ 1,023,329	\$ 2,218,562	34%
Operating Grants/Contributions	237,131	-	237,131	4%
Capital Grants/Contributions	373,033	-	373,033	6%
General:				
Sales Taxes	2,201,625	-	2,201,625	33%
Other Taxes	1,019,616	-	1,019,616	15%
Grants and Contributions	363,476	12,716	376,192	6%
Interest	26,860	4,888	31,748	0%
Rental	39,627	-	39,627	1%
Miscellaneous	88,710	-	88,710	1%
Transfer-Internal Activity	27,669	(27,669)	-	0%
Total Revenues/Transfers	<u>5,572,980</u>	<u>1,013,264</u>	<u>6,586,244</u>	<u>100%</u>
Program Expenses:				
General Government	500,243	-	500,243	7%
Public Safety:				0%
Police	1,008,707	-	1,008,707	15%
Fines	443,469	-	443,469	7%
Streets and Drainage	679,984	-	679,984	10%
Culture and Recreation	384,896	-	384,896	6%
Sanitation	1,763,084	-	1,763,084	26%
Urban Redevelopment	256,884	-	256,884	4%
Other Program	257,562	-	257,562	4%
Interest	161,774	36,336	198,110	3%
Payment To Retirement System	198,320	-	198,320	3%
Water Utility Expense	-	1,022,053	1,022,053	15%
Total Expenses	<u>5,654,923</u>	<u>1,058,389</u>	<u>6,713,312</u>	<u>100%</u>
Change In Net Assets	(81,943)	(45,125)	(127,068)	
Beginning Net Assets	9,199,335	664,499	9,863,834	
Ending Net Assets	<u>\$ 9,117,392</u>	<u>\$ 619,374</u>	<u>\$ 9,736,766</u>	

CITY OF FRANKLIN, LOUISIANA  
Management's Discussion and Analysis

GOVERNMENTAL REVENUES

The City is heavily reliant on sales taxes to support governmental operations. Sales taxes provided 33%, totaling \$2,201,625, of the City's revenues. Sales taxes equal 40% of the total revenues for governmental activities. The City receives a percentage of the sale tax collected by the Parish of St. Mary. The percentage is based on the population of the City to the total population of the Parish of St. Mary. Because of the City's financial position, the City earned \$26,860 in interest to support governmental activities. Please note that the program revenues totaling, \$1,805,397, represents 32% of the total governmental operating expenses. Therefore, the government's taxpayers and the City's other general revenues fund 68% of the governmental activities. As a result, the general economy and the stability of the local businesses have a major impact on the City's revenue resources.

GOVERNMENTAL FUNCTIONAL EXPENSES

Police services comprise 15%, totaling \$1,008,707, of the City's total expenses. Sanitation services comprise 26%, totaling \$1,763,084, of the City's total expenses and Streets and Drainage services comprise 10%, totaling \$679,984, of the City's total expenses.

The following table presents the cost of each of the City's program, including the net cost (i.e. total cost less revenue generated by activities). The net cost illustrates the financial demand that was levied on the City's taxpayers by each of these activities.

CITY OF FRANKLIN, LOUISIANA  
Analysis of Governmental Activities  
For The Year Ended April 30, 2005

	Total Cost of Service	Net Cost of Services
Program Expenses:		
General Government	\$ 500,243	\$ (188,113)
Public Safety:		
Police	1,008,707	(910,427)
Fines	443,469	(393,299)
Streets and Drainage	679,984	(632,363)
Culture and Recreation	384,896	(189,752)
Sanitation	1,763,084	(1,001,035)
Urban Redevelopment	256,884	(110,216)
Other Program	257,562	(64,227)
Interest	161,774	(161,774)
Total Expenses	<u>\$ 5,456,603</u>	<u>\$ (3,651,206)</u>

CITY OF FRANKLIN, LOUISIANA  
Management's Discussion and Analysis

Analysis of Governmental Activities  
For The Year Ended April 30, 2005

**BUSINESS TYPE ACTIVITIES**

**Revenues vs. Cost**

Within the total business type activities of the City, these activities reported a \$1,276 operating profit for the year. However, the profit is marginal because of the loss of approximately \$174,000 due to the termination of the City's major customer.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds**

Governmental funds are reported in the fund statements with short term, inflow and outflow of disburseable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,694,799. Of this year end total, \$1,184,263 is unreserved indicating availability for continuing City's service requirements. Legally restricted fund balances of \$477,972 are committed to Debt Service and \$32,564 are committed to Perpetual Care.

The General Fund is the City's primary operating fund and the largest source of day to day service delivery. The General Fund's fund balance decreased by \$56,091. Revenue collected by the General Fund decreased from the prior year by \$895 and expenditures decreased by \$109,625. The main reason why there was a current year decrease in fund balance was due to the excess amount of operating transfers out over operating transfers in of \$48,348.

**THE PROPRIETARY FUND**

The proprietary fund statements share the same focus as the government wide statements, reporting both short term and long term data about the City's financial position.

The City has total net assets of \$619,374 in the proprietary fund: \$327,958 is invested in capital assets (net of related debt), \$36,677 is restricted for revenue bond retirement and \$254,739 is unrestricted revenue available to meet the demands of ongoing obligations.

Utility revenue has decreased from the prior year by a total of \$153,156, primarily because of the termination of the City's major water consuming customer.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### GENERAL FUND – BUDGETARY HIGHLIGHTS

The major difference between the original General Fund budget and the amended General Fund Budget was an increase in appropriation associated with an increase in the City's required contributions to the Municipal Employees Retirement System and the Police Employees Retirement System.

There was no material difference between actual results and budgeted amounts in the General Fund.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business type activities as of April 30, 2005, was \$11,260,051 and \$732,958 respectively. This investment in capital assets includes land, building and improvement, machinery and equipment, furniture and fixtures, computers, vehicles, water and sewer system and infrastructure.

##### Long Term Debt

At the end of the fiscal year, the City had bonded debt outstanding of \$4,180,684. Of this amount, \$3,775,684 is backed by the full faith and credit of the City. The other component consists of \$375,000 and is supported by pledged revenues generated primarily by the business type activities of the City.

#### ECONOMIC CONDITIONS AFFECTING THE CITY

The budget planning began with a very conservative measure for the upcoming fiscal year. Because of unfavorable economic conditions revenue generated minimal income. As a result we are projecting a 0% increase in revenues.

The mileages for Ad Valorem taxes were not carried forward; therefore we are projecting a 0% increase in this category.

Interest on investments performed at the same level, therefore a 0% growth was budgeted for the fiscal year.

CITY OF FRANKLIN'S, LOUISIANA

Management's Discussion and Analysis

Garbage collection fee will be increased for Fiscal Year 2006, because of the rising in the gasoline prices and the instability in the petroleum market. Garbage collection fees will be increased from \$6.50 to \$10.50 for residents and increased from \$6.50 to \$17.50 for commercial customers.

Sewer and water rates were not increased for fiscal year ending 2005.

As a result of the loss of one of the City's major customers, water revenues decreased substantially in the Enterprise Fund.



CITY OF FRANKLIN, LOUISIANA

Statement of Net Assets  
April 30, 2005

		Primary Government	
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and interest bearing deposits	\$ 1,637,900	\$ 115,013	\$ 1,752,913
Receivables:			
Taxes	436,464	-	436,464
Accounts	38,236	169,232	207,468
Special assessments	281	-	281
Loans receivable, net of allowance	10,014	-	10,014
Internal balances	44,789	(44,789)	-
Restricted assets:			
Cash	-	210,341	210,341
Bond issuance costs, net of amortization	8,378	-	8,378
Due from other governments	140,419	-	140,419
Due from external parties	-	100,038	100,038
Capital assets, net of accumulated depreciation	<u>11,260,051</u>	<u>732,958</u>	<u>11,993,009</u>
Total assets	<u>\$ 13,576,532</u>	<u>\$ 1,282,793</u>	<u>\$ 14,859,325</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 274,768	\$ 64,056	\$ 338,824
Accrued liabilities	64,805	13,431	78,236
Accrued interest	61,774	-	61,774
Payable from restricted assets:			
Revenue bonds payable	-	30,000	30,000
Accrued interest	-	4,461	4,461
Customer deposits	-	134,722	134,722
Due to external parties	24,946	-	24,946
Due to other governments	-	41,749	41,749
Deferred revenue	257,163	-	257,163
Current portion of long term liabilities	554,833	-	554,833
Noncurrent liabilities:			
Noncurrent portion of long term obligations	<u>3,220,851</u>	<u>375,000</u>	<u>3,595,851</u>
Total liabilities	<u>4,459,140</u>	<u>663,419</u>	<u>5,122,559</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,679,134	327,958	8,007,092
Restricted for:			
Debt service	479,228	36,677	515,905
Perpetual care:			
Nonexpendable	32,564	-	32,564
Unrestricted	<u>926,466</u>	<u>254,739</u>	<u>1,181,205</u>
Total net assets	<u>\$ 9,117,392</u>	<u>\$ 619,374</u>	<u>\$ 9,736,766</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities  
Year Ended April 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government:				
Administrative	\$ 316,928	\$ 273,351	\$ 4,328	\$ -
Judicial	183,315	34,451	-	-
Public safety:				
Police	1,008,707	98,280	-	-
Fire	443,469	27,102	23,068	-
Public works:				
Streets and drainage	679,984	-	-	47,621
Culture and recreation	384,896	-	16,400	178,744
Sanitation	1,763,084	762,049	-	-
Urban redevelopment	256,884	-	-	146,668
Other program expenditures	257,562	-	193,335	-
Interest on long term debt	161,774	-	-	-
<b>Total Governmental Activities</b>	<b>5,456,603</b>	<b>1,195,233</b>	<b>237,131</b>	<b>373,033</b>
<b>Business-type activities:</b>				
Utility fund	-	-	-	-
<b>Total business-type activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total government</b>	<b>\$ 5,456,603</b>	<b>\$ 1,195,233</b>	<b>\$ 237,131</b>	<b>\$ 373,033</b>

General Revenues:

Taxes:  
   Ad valorem taxes  
   Sales  
   Franchise tax  
 Grants and contributions not restricted to  
   specific programs  
 Interest and investment earnings  
 Rentals  
 Miscellaneous  
 Special item - payment to retirement system  
 Transfers -- internal activity  
   Total general revenues and transfers  
  
 Change in net assets  
 Net Assets-- beginning  
 Net Assets--ending

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (39,249)	\$ -	\$ (39,249)
(148,864)	-	(148,864)
(910,427)	-	(910,427)
(393,299)	-	(393,299)
(632,363)	-	(632,363)
(189,752)	-	(189,752)
(1,001,035)	-	(1,001,035)
(110,216)	-	(110,216)
(64,227)	-	(64,227)
<u>(161,774)</u>	<u>-</u>	<u>(161,774)</u>
<u>(3,651,206)</u>	<u>-</u>	<u>(3,651,206)</u>
<u>-</u>	<u>(35,060)</u>	<u>(35,060)</u>
<u>-</u>	<u>(35,060)</u>	<u>(35,060)</u>
<u>(3,651,206)</u>	<u>(35,060)</u>	<u>(3,686,266)</u>
613,083	-	613,083
2,201,625	-	2,201,625
406,533	-	406,533
363,476	12,716	376,192
26,860	4,888	31,748
39,627	-	39,627
88,710	-	88,710
(198,320)	-	(198,320)
<u>27,669</u>	<u>(27,669)</u>	<u>-</u>
3,569,263	(10,065)	3,559,198
(81,943)	(45,125)	(127,068)
<u>9,199,335</u>	<u>664,499</u>	<u>9,863,834</u>
<u>\$ 9,117,392</u>	<u>\$ 619,374</u>	<u>\$ 9,736,766</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds  
April 30, 2005

	General Fund	Liquid and Solid Waste Fund	FEMA Fund
<b>ASSETS</b>			
Cash and interest bearing deposits	\$ 421,606	\$ 55,935	\$ 297,204
Receivables:			
Taxes	240,938	159,967	-
Accounts	29,736	8,500	-
Special assessments	-	-	-
Loans receivable, net	-	-	-
Bond issue costs, net	-	-	-
Due from other funds	75,723	614,243	-
Due from other governments	94,067	46,352	-
Total assets	<u>\$ 862,070</u>	<u>\$ 884,997</u>	<u>\$ 297,204</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 132,141	\$ 130,448	\$ 12,179
Accrued liabilities	49,747	15,058	-
Deferred revenue	-	-	257,163
Due to other funds	566,703	72,268	20,004
Total liabilities	<u>748,591</u>	<u>217,774</u>	<u>289,346</u>
Fund balances:			
Reserved:			
Debt service	-	-	-
Perpetual care	-	-	-
Unreserved, reported in:			
General fund	113,479	-	-
Special revenue funds	-	667,223	-
Capital projects	-	-	7,858
Total fund balances	<u>113,479</u>	<u>667,223</u>	<u>7,858</u>
Total liabilities and fund balances	<u>\$ 862,070</u>	<u>\$ 884,997</u>	<u>\$ 297,204</u>

<u>Other</u> <u>Governmental</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 863,155	\$ 1,637,900
35,559	436,464
-	38,236
281	281
10,014	10,014
8,378	8,378
4,114	694,080
-	<u>140,419</u>
<u>\$ 921,501</u>	<u>\$ 2,965,772</u>

\$ -	\$ 274,768
-	64,805
-	257,163
<u>15,262</u>	<u>674,237</u>
<u>15,262</u>	<u>1,270,973</u>

477,972	477,972
32,564	32,564
-	113,479
302,520	969,743
<u>93,183</u>	<u>101,041</u>
<u>906,239</u>	<u>1,694,799</u>
<u>\$ 921,501</u>	<u>\$ 2,965,772</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
April 30, 2005

Total fund balances - governmental funds		\$ 1,694,799
Amounts reported for governmental activities in the statement of net assets are different because:		
Cost of capital assets at April 30, 2005	19,440,064	
Less: Accumulated Depreciation as of April 30, 2005:		
Buildings	(1,216,580)	
Improvements other than buildings	(5,822,843)	
Equipment	<u>(1,140,590)</u>	
		11,260,051
Elimination of interfund assets and liabilities		
Due from other funds	198,209	
Due to other funds	<u>(198,209)</u>	
		-
Long-term liabilities at April 30, 2005:		
Bonded debt payable	(2,568,250)	
Special assessment debt	(5,009)	
Certificates of indebtedness	(155,000)	
Capital leases	(852,658)	
Compensated absences payable	<u>(194,767)</u>	
		(3,775,684)
Accrued interest payable		<u>(61,774)</u>
Total net assets - governmental activities		<u>\$ 9,117,392</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds  
Year Ended April 30, 2005

	General	Liquid and Solid Waste Fund	FEMA Fund
Revenues:			
Taxes	\$ 2,017,498	\$ 994,190	\$ -
Licenses and permits	260,624	-	-
Intergovernmental	582,690	148,650	47,622
Charges for services	-	613,399	-
Fines and forfeits	68,407	-	-
Rentals	25,877	-	-
Investment earnings	4,022	325	1,689
Miscellaneous	129,766	-	-
Total revenues	<u>3,088,884</u>	<u>1,756,564</u>	<u>49,311</u>
Expenditures:			
Current -			
General government:			
Administrative	284,160	-	-
Judicial	181,793	-	-
Public safety:			
Police	970,520	-	-
Fire	359,999	-	-
Public works:			
Streets and drainage	581,808	-	-
Culture and recreation	311,907	-	-
Sanitation	-	1,436,868	-
Urban redevelopment	109,839	-	-
Other	186,644	-	-
Debt service			
Principal	29,760	-	-
Interest and fiscal charges	5,281	-	-
Miscellaneous	-	-	-
Capital outlay	74,926	-	47,622
Total expenditures	<u>3,096,637</u>	<u>1,436,868</u>	<u>47,622</u>
Excess (deficiency) of revenues over expenditures	<u>(7,753)</u>	<u>319,696</u>	<u>1,689</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	430,302	15,439	20,000
Operating transfers out	(478,640)	(305,598)	-
Payment to retirement system	-	-	-
Total other financing sources (uses)	<u>(48,338)</u>	<u>(290,159)</u>	<u>20,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(56,091)</u>	<u>29,537</u>	<u>21,689</u>
Fund balances, beginning	169,570	637,686	(13,831)
Fund balances, ending	<u>\$ 113,479</u>	<u>\$ 667,223</u>	<u>\$ 7,858</u>



Other Governmental	Total Governmental Funds
\$ 209,552	\$ 3,221,240
-	260,624
369,953	1,148,915
22,979	636,378
-	68,407
-	25,877
20,824	26,860
27,244	157,010
<u>650,552</u>	<u>5,545,311</u>
2,429	286,589
-	181,793
-	970,520
-	359,999
-	581,808
58	311,965
-	1,436,868
146,752	256,591
70,918	257,562
541,433	571,193
137,856	143,137
843	843
271,041	393,589
<u>1,171,330</u>	<u>5,752,457</u>
<u>(520,778)</u>	<u>(207,146)</u>
160,000	160,000
835,205	1,300,946
(489,039)	(1,273,277)
<u>(198,320)</u>	<u>(198,320)</u>
<u>307,846</u>	<u>(10,651)</u>
(212,932)	(217,797)
<u>1,119,171</u>	<u>1,912,596</u>
<u>\$ 906,239</u>	<u>\$ 1,694,799</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended April 30, 2005

Net changes in fund balances - governmental funds	\$ (217,797)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(247,778)
Certificate of indebtedness proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(160,000)
Repayment of long term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	571,193
Excess of interest paid over interest accrued	(17,794)
Excess of compensated absences earned over amounts used	<u>(9,767)</u>
Change in Net Assets - Governmental Activities	<u>\$ (81,943)</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Assets -- Proprietary Fund  
April 30, 2005

	<u>Water Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 115,013
Accounts receivables	169,232
Due from other funds	<u>503,871</u>
Total current assets	<u>788,116</u>
Restricted assets:	
Bond and interest sinking fund -	
Cash	14,477
Capital additions and contingencies fund -	
Cash	143,664
Bond reserve fund	
Cash	<u>52,200</u>
Total restricted assets	<u>210,341</u>
Property, plant and equipment:	
Property, plant and equipment, at cost, net	
of accumulated depreciation of \$3,263,606	<u>732,958</u>
Net property, plant and equipment	<u>732,958</u>
 Total assets	 <u>\$ 1,731,415</u>

	Water Enterprise Fund
<hr/>	
	LIABILITIES
Liabilities:	
Current liabilities (payable from current assets) -	
Accounts payable	\$ 64,056
Accrued liabilities	13,431
Due to other funds	448,622
Due to other governments	<u>41,749</u>
Total current liabilities (payable from current assets)	<u>567,858</u>
Current liabilities (payable from restricted assets) -	
Revenue bonds payable	30,000
Accrued interest payable	4,461
Customers' deposits	<u>134,722</u>
Total current liabilities (payable from restricted assets)	<u>169,183</u>
Long-term liabilities:	
Revenue bonds payable, net of current portion	<u>375,000</u>
Total liabilities	<u>1,112,041</u>
 NET ASSETS	
Invested in capital assets, net of related debt	327,958
Restricted for revenue bond retirement	36,677
Unrestricted	<u>254,739</u>
Total net assets	<u>\$ 619,374</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
Year Ended April 30, 2005

	Water Enterprise Fund
Operating revenues:	
Water Sales	\$ 781,834
Reconnection and installation fees	19,866
Delinquent charges	14,455
Street light fees	130,119
Mosquito control	72,527
Miscellaneous	4,528
Total operating revenues	<u>1,023,329</u>
Operating expenses:	
Administrative and finance	36,302
Water production	300,277
Water distribution	122,602
Billings and collections	226,344
Meter department	31,170
Depreciation	88,321
Bad debts	17,878
Street light fees	137,848
Mosquito abatement control	61,311
Total operating expenses	<u>1,022,053</u>
Operating income	<u>1,276</u>
Nonoperating revenues (expenses):	
Intergovernmental revenue	12,716
Interest income	4,888
Interest and fiscal charges	<u>(36,336)</u>
Total nonoperating revenues (expenses)	<u>(18,732)</u>
Income before operating transfers	(17,456)
Other financing uses	
Operating transfers out	<u>(27,669)</u>
Change in net assets	(45,125)
Net assets, beginning	<u>664,499</u>
Net assets, ending	<u>\$ 619,374</u>

The accompanying notes are an integral part of this statement

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Fund  
Year Ended April 30, 2005

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,078,802
Payments to suppliers for goods and services	(560,689)
Payments to employees	<u>(394,411)</u>
Net cash provided by operating activities	<u>123,702</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from other governments	12,716
Cash received from (paid to) other funds	(151,631)
Operating transfers to other funds	<u>(27,669)</u>
Net cash used by noncapital financing activities	<u>(166,584)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on revenue bonds	(25,000)
Interest payments on revenue bonds	(31,875)
Purchase of capital assets	<u>(72,875)</u>
Net cash used by capital and related financing activities	<u>(129,750)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on interest bearing deposits	<u>4,888</u>
Net cash provided by investing activities	<u>4,888</u>
Net decrease in cash and cash equivalents	(167,744)
Cash and cash equivalents, beginning of period	493,098
Cash and cash equivalents, end of period	<u>\$ 325,354</u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ <u>1,276</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	88,321
Decrease in accounts receivable	75,146
Increase in accounts payable	1,305
Decrease in accrued liabilities	(46,544)
Increase in due to other governments	41,749
Decrease in customer meter deposits	<u>(37,551)</u>
Total adjustments	<u>122,426</u>

Net cash provided by operating activities	<u>\$ 123,702</u>
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CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Funds (Continued)  
Year Ended April 30, 2005

Reconciliation of cash and cash equivalents per  
statement of cash flows to the balance sheet:

Cash and cash equivalents beginning of period -	
Non Interest-bearing deposits - unrestricted	\$ 245,582
Interest bearing deposits - restricted	<u>247,516</u>
Total cash and cash equivalents	<u>493,098</u>
 Cash and cash equivalents, end of period -	
Non Interest-bearing deposits - unrestricted	115,013
Interest-bearing deposits - restricted	<u>210,341</u>
Total cash and cash equivalents	<u>325,354</u>
 Net increase (decrease) in cash and cash equivalents	<u><u>\$ (167,744)</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Fiduciary Net Assets—Agency Funds  
Year Ended April 30, 2005

	<u>Payroll Fund</u>	<u>Accounts Payable Clearing</u>	<u>Retired Employees' Insurance</u>	<u>Total</u>
ASSETS				
Cash	\$ 79,736	\$ 19,249	\$ 4,495	\$ 103,480
Due from other funds	<u>941</u>	<u>72,195</u>	<u>-</u>	<u>73,136</u>
Total assets	<u>\$ 80,677</u>	<u>\$ 91,444</u>	<u>\$ 4,495</u>	<u>\$ 176,616</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 4,495	\$ 4,495
Payroll deductions payable	23,892	-	-	23,892
Due to other funds	<u>56,785</u>	<u>91,444</u>	<u>-</u>	<u>148,229</u>
Total liabilities	<u>\$ 80,677</u>	<u>\$ 91,444</u>	<u>\$ 4,495</u>	<u>\$ 176,616</u>

The accompanying notes are an integral part of this statement



## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin (City) was incorporated April 15, 1876, under the provisions of a special charter. The City operated under a Mayor-Council form of government until August 1, 2004, at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City's operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general and administration services. The City owns and operates an enterprise fund which provides water services.

The accounting and reporting policies of the City of Franklin relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments, except for the omission of the component units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units. In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," it is the City of Franklin's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to December 1, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City of Franklin has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

The following is a summary of certain significant accounting policies:

#### Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has established several criteria for determining the governmental reporting entity. The reporting entity for the City should include the City of Franklin, Louisiana, which as governing authority of the City is the primary government, and other governmental entities within the area for which the City has financial accountability. Financial accountability is determined by the City, on the basis of applying the following criteria from those established by the GASB:

- Financial benefit or burden
- Appointment of a voting majority
- Imposition of will
- Fiscally dependent

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Based on the following criteria the City Court and City Marshal are considered to be component entities:

1. The City Court of the City of Franklin establishes a court for the City of Franklin and the territorial jurisdiction throughout Ward Three of St. Mary Parish, Louisiana. The purpose of the City Court is to collect all fines, forfeitures, penalties, and costs assessed. The judge and marshal are elected to six year terms. The fiscal year of the City Court of the City of Franklin ends on June 30, which is different from that of the primary government. The City provides the facilities in which the Court operates and has approval authority over certain expenditures made by the Court.
2. The Marshall's Fund of the City Court of the City of Franklin accounts for the activities of the Marshal in carrying out the duties of the Court. The expenses of carrying out these duties are defrayed by court costs collected through the City Court. The fiscal year of the Marshal's Fund of the City Court of the City of Franklin ends on June 30, which is different from that of the primary government. The City provides the facilities in which the Marshal operates and has approval authority over certain expenditures made by the Marshal.

The GASB provides for the issuance of primary government financial statements which are separate from those of the reporting entity. However, a primary government's financial statements are not a substitute for the reporting entity's financial statements. The City has chosen to issue financial statements of the primary government only. As such, the accompanying financial statements are not intended to and do not report in accordance with generally accepted accounting principals.

#### Basis of Presentation

##### *Government-wide Financial Statements:*

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating capital or grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Fund Financial Statements:*

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

##### Governmental Funds

###### General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

###### Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

###### Debt service funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

###### Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

###### Permanent fund

The permanent fund accounts for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Proprietary Funds

###### Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### Fiduciary Funds

###### Agency funds

Agency funds are generally used to account for assets that the City holds on behalf of others as their agent. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

##### Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

##### Major Funds:

*General Fund* – primary operating fund of the City. The general fund is always classified as a major fund.

##### *Special Revenue Funds:*

*Liquid and Solid Waste Fund*—accounts for the receipt and use of proceeds of the City's share of the  $\frac{3}{4}$  of 1% sales and use tax. These taxes are dedicated for the construction, acquisition, extension, improvements, operation and maintenance of solid waste collection and disposal, sewers and sewerage disposal works, and other facilities for pollution control and abatements, and to provide funds to pay debt service requirements on bonds issued for such purposes.

##### *Capital Projects Funds:*

*FEMA Fund*—accounts for the receipt and expenditure of funds received from grant sources for the purpose rehabilitation needed after Hurricane Lili.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds (Continued)

Proprietary Funds:

*Utility Fund*—accounts for the provision of water service to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administrations, operations, maintenance, financing and related debt service, and billing and collection.

Nonmajor Funds:

Special Revenue Funds:

*Summer Feeding Program*—accounts for the receipt and use of funds reimbursed under the National School Lunch Act.

*Public Safety Fund*—accounts for the receipt and use of proceeds of the City's share of 3/10% sales and use tax. These taxes are dedicated for the purpose of operating and maintaining the municipal police department the municipal fire department and the volunteer fire department, and for the purpose of purchasing, constructing, acquiring, improving and maintaining any public works or capital improvements utilized or operated by said departments.

*Revolving Loan Fund*—accounts for a revolving loan fund set up to loan funds to area small businesses or prospective small businesses. The fund was initially financed through a federal grant. Funds received from loan repayments are used for additional loans.

*W. McKerrall O'Niell Shell Fund*—accounts for the receipt and disbursement of a private grant from Shell Oil Company for the purpose of loaning funds to individuals for rehabilitation of homes in the City of Franklin.

*Narcotic Aid Fund*—accounts for the receipt and disbursement of funds collected by the District Attorney's office for drug enforcement.

*Water and Sewer System Renewal and Replacement Fund*—a fund required by the 2000 Water and Sewer Revenue Bonds to accumulate funds to care for extensions, additions, and improvements to properly operate the wastewater plant and sewer system.

*LCDBG Grant Fund*—accounts for the receipt of federal monies to be expended for housing rehabilitation in the City of Franklin area.

*Mausoleum Endowed Care*—accounts for the receipt and expenditure of the portion of crypt sales dedicated to the upkeep and maintenance of the mausoleum.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds:

*LCDBG Economic Development Grant*—accounts for the receipt and expenditures of federal funds awarded for the purpose of acquiring land and buildings for economic development in the City.

*Capital Outlay Fund*—accounts for the receipt and expenditure of funds received from grant sources for the purpose of acquiring assets or other capital expenditures.

*West St. Mary Civic Center*—accounts for the receipt and expenditure of funds received from grant sources for the purpose of construction of a civic center.

*Industrial Park*—accounts for the receipt and expenditure of funds received from grant sources for the purpose of construction of an industrial park.

Debt Service Funds:

*Consolidated Sewerage District No. 1 Sinking Fund 1993*—accounts for funds received from special assessments used to pay a portion of the cost of the acquisition and construction of sewerage improvements and extensions to the sewerage system to service properties located in the Consolidated Sewerage District.

*1996 Public Improvement Sales Tax Bond Sinking Fund*—accumulates revenues for payment of the 1996 \$1,425,000 Sales Tax Refunding Bonds, which are serial bonds due in annual installments plus interest through maturity in 2004. Debt service is financed with proceeds of the City's ¾% sales and use tax.

*1996 Public Improvement Sales Tax Bond Reserve Fund*—this reserve fund required by the 1996 \$1,425,000 Sales Tax Refunding Bonds.

*1995 Water and Sewer Revenue Bond Sinking Fund*—accumulates monies for the payment of the 1995 \$400,000 (Series A) and \$600,000 (Series B) Water and Sewer Revenue Bonds, which are serial bonds due in annual installments, plus interest through maturity in 2015. Debt service is financed with revenues from Utility and Liquid and Solid Waste Funds.

*1995 Water and Sewer Revenue Bond Reserve*—this reserve is required by the 1995 \$400,000 (Series A) Bonds.

*Sales Tax Bond Sinking Fund 1996*—accumulates revenues for payment of the 1996 \$1,675,000 Sales Tax Bonds, which are serial bonds due in annual installments plus interest through maturity in 2015. Debt service is financed with proceeds of the City's 1% sales and use tax.

*Sales Tax Bond Reserve Fund 1996*—this reserve is required by the \$1,675,000 1996 bond issue indenture.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds (Continued)

*1998 Sales Tax fire Equipment Sinking Fund*—accumulates monies for payment of capital lease for fire equipment.

*2000 Water and Sewer Revenue Bond Sinking Fund*—accumulates revenues for payment of the 2000 \$758,000 Water and Sewer Revenue Bonds. Debt Service is financed with Liquid and Solid Waste revenues.

*2000 Water and Sewer Revenue Bond Reserve Fund*—a reserve fund required by the \$758,000, 2000 Water and Sewer Revenue Bonds.

*Excess Revenue Sinking Fund of 2003*—accumulates revenues for payment of \$455,000 Excess Revenue Bond.

*2004 Taxable Certificates of Indebtedness Sinking Fund*—accumulates revenues for the payment of the 2004 Certificates of Indebtedness which are certificates due in annual installments plus interest through maturity in 2013.

Permanent Fund:

*2000 Cemetery Fund*—accounts for the funds set aside for the perpetual care and upkeep of a portion of the cemetery and mausoleum acquired in 2000.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Franchise fees, licenses, permits, and fines are recognized when they are received because they are not objectively measurable.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include buildings, improvements other than buildings, moveable equipment, automotive equipment and furniture and fixtures are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 - 40 years
Improvements other than buildings	20 - 40 years
Moveable equipment	5 - 20 years

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor and City Clerk prepare a proposed budget for the general and special revenue funds and submits them to the City Council for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.



## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council. Such amendments were not material in relation to the original appropriations.

#### Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Any residual balances outstanding between the governmental activities and the agency funds are reported in the government-wide financial statements as "receivable from/payable to external parties".

#### Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is limited by applicable bond covenants and other restrictions. The "revenue bond and interest sinking fund" is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond contingency fund" is used to segregate resources accumulated to pay the principal and interest on bonds for the payment of which there is not sufficient money in the revenue bond and interest sinking fund and is available for the making of improvements and extensions to the system. However, this money shall never be used for the making of improvements and extensions to the system or payment of principal and interest on bonds if such use of said money will leave in the revenue bond contingency fund for the making of emergency repairs or replacements less than the sum of \$10,000. The "customers' deposits" is used to segregate those refundable resources received from customers currently on the system.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), the resulting difference between the allowance method and specific charge-off method would result in an immaterial difference.

##### Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

##### Compensated Absences

Employees earn paid vacation time each year based upon their total years of service. Vacation time must be used within the fiscal year and cannot be carried over to subsequent periods.

Certain employees also earn compensatory time off for overtime hours worked. These compensated absences are allowed to accumulate from period to period if not used. Upon termination, an employee is compensated for the accumulation of this time.

##### Capitalization of Interest Expense

It is the policy of the City of Franklin to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. For the year ended April 30, 2005, no capitalized interest expense was recorded on the books.

##### Use of Estimates

The City's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are stated at net realizable value after provision for estimated uncollectible accounts. Provision for uncollectible accounts total \$23,248 which includes \$14,569 in the Revolving Loan Fund and \$8,679 in the W. McKerral O'Neill Shell Fund.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At April 30, 2005, the City has cash and interest-bearing deposits (book balances) totaling \$1,752,913 as follows:

Demand deposits	\$ 398,913
Interest-bearing deposits	<u>1,354,000</u>
Total	<u>\$ 1,752,913</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at April 30, 2005, are secured as follows:

Bank balances	<u>\$ 2,023,531</u>
Federal deposit insurance	496,117
Pledged securities (category 3)	<u>6,543,117</u>
Total federal insurance and pledged securities	<u>\$ 7,039,234</u>
Excess	<u>\$ 5,015,703</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker, dealer or agent but not in the City's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

# CITY OF FRANKLIN, LOUISIANA

## Notes to Financial Statements

### NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. City property tax revenues are budgeted in the year billed.

For the year ended April 30, 2005, taxes of 20.63 mills were levied on property with assessed valuations totaling \$29,656,309 and were dedicated as follows:

General governmental services	14.52 mills
Sewerage system maintenance	6.11 mills

### NOTE 4 INTERFUND RECEIVABLES/PAYABLES

Interfund balances at April 30, 2005 consisted of the following amounts:

	Receivables	Payables
General Fund	\$ 75,723	\$ 566,703
Special Revenue Funds:		
Liquid and Solid Waste Fund	614,243	72,268
FEMA Fund	-	20,004
Total major governmental	<u>689,966</u>	<u>658,975</u>
Nonmajor governmental:		
Special Revenue Funds:		
Summer Feeding Program	163	163
Public Safety Fund	-	20
FHA Revolving Loan Fund	-	500
Mausoleum Endowed Care	73	-
Capital Projects Funds:		
Capital Outlay Fund	-	12,400
Debt Service Funds:		
Consolidated Sewer District No. 1	77	-
Sales Tax Bond Reserve Fund - 1996	1,622	-
2000 Water & Sewer Revenue Bond Sinking Fund	2,179	-
2000 Water & Sewer Revenue Bond Reserve Fund	-	2,179
Total nonmajor governmental	<u>4,114</u>	<u>15,262</u>
Enterprise Fund:		
Utility Fund	503,871	448,622
Agency Funds:		
Payroll Fund	941	56,785
Accounts Payable Clearing	72,195	91,444
Total Enterprise and Agency Funds:	<u>577,007</u>	<u>596,851</u>
Total interfund receivables/payables	<u>\$ 1,271,088</u>	<u>\$ 1,271,088</u>

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 4 INTERFUND RECEIVABLES/PAYABLES (CONTINUED)

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

NOTE 5 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at April 30, 2005 consisted of the following:

	<u>General Fund</u>	<u>Liquid and Solid Waste Fund</u>
State of Louisiana		
Video poker taxes	\$ 42,089	\$ -
Beer Taxes	3,117	-
St. Mary Parish Council		
Gaming revenues	18,750	-
Grants and reimbursements	<u>30,111</u>	<u>46,352</u>
Total due from other governmental units	<u>\$ 94,067</u>	<u>\$ 46,352</u>

NOTE 6 DUE TO OTHER GOVERNMENTS

	<u>Utility Fund</u>
State of Louisiana Unclaimed Customer Deposits	<u>\$ 41,749</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2005, was as follows:

	Balance 4/30/04	Additions	Deletions	Balance 4/30/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,418,687	\$ -	\$ -	\$ 1,418,687
Capital assets being depreciated:				
Buildings	2,488,211	-	-	2,488,211
Improvements	12,463,923	191,214	-	12,655,137
Equipment	2,151,131	726,898	-	2,878,029
Total capital assets being depreciated	17,103,265	918,112	-	18,021,377
Less accumulated depreciation for:				
Buildings	(1,148,726)	(67,854)	-	(1,216,580)
Improvements	(5,409,782)	(413,061)	-	(5,822,843)
Equipment	(980,138)	(160,452)	-	(1,140,590)
Total accumulated depreciation	(7,538,646)	(641,367)	-	(8,180,013)
Total capital assets, being depreciated, net	9,564,619	276,745	-	9,841,364
Governmental activities capital assets, net	\$ 10,983,306	\$ 276,745	\$ -	\$ 11,260,051
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Building improvements and equipment	3,623,243	14,299	-	3,637,542
Automotive equipment	130,694	52,445	-	183,139
Furniture and fixtures	159,752	6,131	-	165,883
Total capital assets being depreciated	3,913,689	72,875	-	3,986,564
Less accumulated depreciation for:				
Building improvements and equipment	2,908,969	68,529	-	2,977,500
Automotive equipment	130,694	14,711	-	145,405
Furniture and fixtures	135,622	5,079	-	140,701
Total accumulated depreciation	3,175,285	88,319	-	3,263,606
Total capital assets, being depreciated, net	738,404	(15,444)	-	722,958
Business-type activities capital assets, net	\$ 748,404	\$ (15,444)	\$ -	\$ 732,958

# CITY OF FRANKLIN, LOUISIANA

## Notes to Financial Statements

### NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 28,093
Judicial	839
Public safety:	
Police	34,769
Fire	82,494
Public works:	
Streets and drainage	96,613
Culture and recreation	72,343
Sanitation	326,216
Total depreciation expense, governmental activities	<u>\$ 641,367</u>
Business-type activities:	
Water	<u>\$ 88,321</u>

### NOTE 8 RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at April 30, 2005:

Revenue bond and interest sinking fund	\$ 14,477
Capital additions and contingencies fund	143,664
Revenue bond reserve fund	<u>52,200</u>
	<u>\$ 210,341</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 9 CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended April 30, 2005:

	Balance April 30, 2004	Additions	Deletions	Balance April 30, 2005	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 2,101,250	\$ -	\$ 420,000	\$ 1,681,250	\$ 205,000
Revenue Bonds	936,000	-	49,000	887,000	51,000
Special Assessment					
Sewerage Certificates	10,021	-	5,012	5,009	5,009
Certificates of Indebtedness	-	160,000	5,000	155,000	14,000
Capital leases	327,048	615,248	89,638	852,658	122,063
Compensated absences	185,000	158,435	148,668	194,767	157,761
Total governmental activities	<u>3,559,319</u>	<u>933,683</u>	<u>717,318</u>	<u>3,775,684</u>	<u>554,833</u>
<u>Business- type activities:</u>					
Revenue bonds payable	<u>430,000</u>	<u>-</u>	<u>25,000</u>	<u>405,000</u>	<u>30,000</u>
Total government	<u>\$ 3,989,319</u>	<u>\$ -</u>	<u>\$ 445,000</u>	<u>\$ 4,180,684</u>	<u>\$ 584,833</u>

Bonds and certificates payable at April 30, 2005 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
<u>General Obligation Bonds:</u>		
\$1,675,000 Sales Tax Bonds Series ST-1996 , dated November 1, 1996; due in annual installments of \$50,000 to \$135,000 through November 1, 2016 interest at 8.00 percent; secured by a pledge of the City's portion of the 1% of the parish wide sales and use tax	\$ 1,205,000	\$ -
\$300,000 loan from the U.S. Department of Housing and Urban Development passed through the Louisiana Division of Administration, Office of Community Development due in monthly installments of \$1,250, bearing no interest, payable from rents received on the building	211,250	-
\$455,000 Refunding Bond, series 2003, dated July 15, 2003, due in annual installments of \$35,000 to \$115,000 maturing December 1, 2009; interest at 2.4% secured by a pledge of excess of annual revenues and any other available resources which may be transferred to the General Fund.	<u>265,000</u>	<u>-</u>
Total General Obligation Bonds Payable	<u>1,681,250</u>	<u>-</u>



CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 9 CHANGES IN LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
Revenue Bonds:		
1995 Water and Sewer Revenue Bonds, Series A, dated June 23, 1995; due in annual installments of \$20,000 to \$27,000 maturing March 1, 2015, interest at 2.95%; secured by a pledge of Utility and Liquid and Solid Waste revenues after reasonable and necessary operating expenses	\$ 239,000	\$ -
2000 water & Sewer Revenue Bonds, Series 2000, dated July 28, 2000; due in annual installments of \$28,000 to \$53,000 maturing March 1, 2021; interest at 3.45%, secured by a pledge of Utility and Liquid and Solid Waste revenues after reasonable and necessary operating expenses	648,000	-
1995 Water and Sewer Revenue Bonds, Series B, dated August 1, 1995; due in annual installments of \$25,000 to \$55,000 maturing March 1, 2015; interest at 6.2% to 6.7%; secured by a pledge of Utility and Liquid and Solid Waste revenues after reasonable and necessary operating expenses	-	405,000
Total Revenue Bonds Payable	<u>887,000</u>	<u>405,000</u>
Special Assessment:		
\$50124 Sewerage Certificates, Series 1995, dated July 1, 1995; due in annual installments of \$5012 maturing July 1, 2005; interest at 6.375% ;payable from Consolidated Sewerage Project 1993 Fund	5,009	-
Certificates of indebtedness:		
\$160,000 Taxable Certificates of Indebtedness, Series 2004, dated July 19, 2004; due in annual installments of \$14,000 to \$21,000, maturing December 1, 2013; interest at 5.750% secured by a pledge of the excess of annual revenues and any other available source of revenues which may be transferred to the General Fund	<u>155,000</u>	<u>-</u>
Total bonds and certificates payable	<u>\$ 2,728,259</u>	<u>\$ 405,000</u>

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 9 CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of April 30, 2005, are as follows:

General obligation bonds:

Governmental Activities

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 205,000	\$ 78,660	\$ 283,660
2007	130,000	71,400	201,400
2008	130,000	65,760	195,760
2009	140,000	60,120	200,120
2010	145,000	54,060	199,060
2011 - 2015	610,000	178,200	788,200
2016 - 2020	<u>321,250</u>	<u>23,700</u>	<u>344,950</u>
Total	<u>\$ 1,681,250</u>	<u>\$ 531,900</u>	<u>\$ 2,213,150</u>

Revenue Bonds:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 51,000	\$ 29,406	\$ 80,406
2007	53,000	27,752	80,752
2008	54,000	26,033	80,033
2009	56,000	24,280	80,280
2010	58,000	22,463	80,463
2011 - 2015	324,000	82,535	406,535
2016 - 2020	238,000	34,362	272,362
2021	<u>53,000</u>	<u>1,828</u>	<u>54,828</u>
Total	<u>\$ 887,000</u>	<u>\$ 248,659</u>	<u>\$ 1,135,659</u>

Certificates of indebtedness:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 14,000	\$ 8,913	\$ 22,913
2006	15,000	8,108	23,108
2007	15,000	7,245	22,245
2008	16,000	6,382	22,382
2009	17,000	5,462	22,462
2010 - 2011	<u>78,000</u>	<u>11,500</u>	<u>89,500</u>
Total	<u>\$ 155,000</u>	<u>\$ 47,610</u>	<u>\$ 202,610</u>

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 9 CHANGES IN LONG-TERM DEBT (CONTINUED)

Year Ending April 30,	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 30,000	\$ 26,765	\$ 56,765
2007	30,000	24,845	54,845
2008	35,000	22,910	57,910
2009	35,000	20,635	55,635
2010	40,000	18,342	58,342
2011 - 2015	<u>235,000</u>	<u>49,515</u>	<u>284,515</u>
	<u>\$ 405,000</u>	<u>\$ 163,012</u>	<u>\$ 568,012</u>

The various bond indentures contain significant limitations and restrictions as to the annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage (see Note 11). The City is in compliance with all such significant limitations and restrictions.

The City's general fund has acquired six pieces of equipment with a basis of approximately \$1,237,000 under four capital leases. No other governmental funds have any significant leases. The City does rent various equipment from time to time on a short term basis.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of April 30, 2005:

<u>Years ended:</u>	
2006	\$ 165,644
2007	165,644
2008	154,096
2009	68,192
2010	68,192
2011 - 2015	340,960
2016 - 2017	<u>136,384</u>
Total minimum lease payments	1,099,112
Less: amount representing interest	<u>(246,454)</u>
Present value of net minimum lease payments	<u>\$ 852,658</u>

## CITY OF FRANKLIN, LOUISIANA

## Notes to Financial Statements

## NOTE 10 INTERFUND TRANSFERS

	Transfers in	Transfers out
Major Funds:		
General Fund:		
Special Revenue Funds	\$ 410,708	\$ 4,094
Debt Service Funds	12,500	434,923
Capital Projects Fund	6,806	39,623
Permanent Fund	288	-
Total General Fund	<u>430,302</u>	<u>478,640</u>
Special Revenue Fund:		
Liquid and Solid Waste Fund		
General Fund	-	198,985
Debt Service Funds	15,439	106,613
Total Special Revenue Fund	<u>15,439</u>	<u>305,598</u>
Capital Projects Fund:		
FEMA Fund		
General Fund	<u>20,000</u>	-
Enterprise Fund:		
Capital Projects Fund	-	27,669
Total Major Funds	<u>465,741</u>	<u>811,907</u>
Nonmajor Funds:		
Special Revenue Funds		
General Fund	4,094	211,723
Debt Service Funds		
General Fund	434,923	12,500
Special Revenue Funds	106,613	15,439
Debt Service Funds	242,283	242,283
Total Debt Service Funds	<u>783,819</u>	<u>270,222</u>
Capital Projects Funds		
General Fund	19,623	6,806
Enterprise Fund	27,669	-
Total Capital Projects Funds	<u>47,292</u>	<u>6,806</u>
Permanent Fund		
General Fund	-	288
Total Interfund Transfers	<u>\$ 1,300,946</u>	<u>\$ 1,300,946</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 11 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES

Under the terms of the bond indenture on outstanding 1995 Water and Sewer Revenue Bonds Series A and B and the 2000 Water and Sewer Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utilities System (Proprietary) and Sewer System (Governmental—Liquid and Solid Waste) after reasonable and necessary operating expenses are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Revenues earned from the operation of the Utility System and the Sewer System shall be deposited daily into a Utility Fund and Liquid and Solid Waste Fund, respectively. This fund will pay all reasonable and necessary expenses of administering, operating, and maintaining the Utilities Systems.

Each month, there will be set aside into a fund called the "'95 Water and Sewer Revenue Bond Sinking Fund" an amount ranging from \$2,303 to \$2,353 per month on or before the 20<sup>th</sup> of each month in the Utility and Liquid and Solid Waste Funds in proportion to their respective interest and principal payments. Each month, there will also be set aside into a fund called the 2000 Water and Sewer Revenue Bond Sinking Fund an amount ranging from \$4,346 to \$4,569 per month. Such transfers shall be made by the 20<sup>th</sup> of each month and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Amounts shall also be set aside into the "Revenue Bond Reserve Account" (Utility Fund) and the '95 Water and Sewer Revenue Bond Reserve Fund until the combined reserve funds equal \$86,482. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the '95 Water and Sewer Revenue Bond Sinking Fund and as to which there would otherwise be default.

There should also be set aside into a 2000 Water and Sewer Revenue Bond Reserve Fund an amount equal to 25% of the sinking fund payment for the 2000 Water and Sewer Revenue Bonds until the Reserve Fund equals \$54,829. Such amount may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Revenue Bond Sinking Fund and as to which there would otherwise be default.

Funds in an amount equivalent to five percent (5%) of net revenue of the System of the preceding month will also be set aside into a "Capital Additions and Contingencies Account" in the Utility Fund. Money in this fund may be used to pay the principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in this fund should ever be reduced below \$60,000, payments shall resume until \$60,000 is on deposit.

Funds in an amount equivalent to five percent (5%) of the net revenue of the System of the preceding month will also be set aside into a 2000 Water and Sewer System Renewal and Replacement Fund. Money in the fund may be used to pay the principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in this fund should ever be reduced below \$75,000, payments shall resume until \$75,000 is on deposit.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 12 DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAXES

The City of Franklin collects sales taxes under three sales tax levies as follows:

Proceeds of a 1% sales and use tax levied by the City in 1966. (2005 collections \$903,509). Collections are accounted for in the General Fund. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/4 of 1% sales and use tax levied by the City in 1973 (2005 collections \$816,861). Collections are accounted for in the Liquid and Solid Waste Fund—a special revenue fund. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes.

Proceeds of a 3/10 of 1% sales and use tax levied by the City in 1983 (2005 collections \$209,552). Collections are accounted for in the Public Safety Fund—a special revenue fund. Proceeds are dedicated to the following purposes: operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department including paying or supplementing the salaries of municipal employees and personnel of those respective departments; and for the purpose of purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, utilized or occupied by said departments.

#### NOTE 13 EMPLOYEE RETIREMENT

Eligible employees of the City participate in one of four multiple-employer public employee retirement systems (PERS): Municipal Employees' Retirement System of Louisiana Part A, Municipal Police Employees' Retirement System, the Louisiana State Employees' Retirement System, and the Firefighters' Retirement System of Louisiana. Each plan is controlled and administered by a separate board of trustees. These retirement systems provide retirement disability and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

##### Municipal Employees' Retirement System of Louisiana Part A

This plan was established by the Louisiana legislature by Act 569 of 1968 and revised by Act 788 of 1978. Plan members are required to contribute 9.25 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 15.00 percent of the total annual covered salary. The City's contributions to the system for the years ended April 30, 2005, 2004 and 2003 were \$178,552, \$149,000, and \$113,000, respectively, equal to the required contribution for each year.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 13 EMPLOYEE RETIREMENT (CONTINUED)

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809.

##### Municipal Police Employees' Retirement System

This plan was established by the Louisiana Legislature by Act 189 of 1973. Plan members are required to contribute 7.5 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 21.50 percent of the total annual covered salary. The City's contributions to the system for the years ended April 30, 2005, 2004 and 2003 were \$47,225, \$37,000, and \$24,000, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 8550 United Plaza Blvd., Suite 501, Baton Rouge, Louisiana 70809-0200.

##### Louisiana State Employees Retirement System

This plan was established by the Louisiana Legislature in 1946. Plan members are required to contribute 11.5 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 17.8 percent of the total annual covered salary. The City's contributions to the system for the years ended April 30, 2005, 2004, and 2003 were \$3,290, \$3,000 and \$3,000, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Louisiana State Employees' Retirement System of Louisiana, P.O. Box 44213, Baton Rouge, LA 70804.

##### Firefighters' Retirement System of Louisiana

This plan was established by the Louisiana Legislature in 1980. Plan members are required to contribute 8.0 percent of their annual covered salary to the system. The City is required to contribute the following statutory rate of the total annual covered salary:

May 2004 - February 2005	21.00%
March 2005 - April 2005	24.00%

The City's contributions to the system for the year ended April 30, 2005, the first year that the City participated in this plan, was \$5,484 equal to the required contribution for the year. A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095 - Capital Station, Baton Rouge, Louisiana 70804.

Employees of the City are also covered under the Federal Insurance Contributions Act (Social Security). The City makes the required contributions to the various plans and is not responsible for the benefits.

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 13 EMPLOYEE RETIREMENT (CONTINUED)

In 1976 the Franklin policemen joined the Municipal Police Employees' Retirement System. The City is still paying retirement benefits from City funds to eligible retired members in accordance with the policies, terms, and rates of the Franklin police retirement system which was in effect prior to joining the state system. In addition, the City is obligated to make payments to a retired city marshal for services performed when they were employees of the City. The City is funding the pension costs when benefits are paid to these retired employees. An actuarial evaluation has not been performed to determine the City's annual required contributions (ARC) nor the net pension obligations (NPO). Generally accepted accounting principles require recording and disclosure of the ARC and NPO. Payments by the City to persons entitled to benefits related to these prior retirement plans for the year ended April 30, 2005 totaled approximately \$30,000.

The City funds no other material post retirement benefits for its former employees.

#### NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition, the City provided certain medical and health insurance benefits to its employees and their dependents.

The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. However, it is the policy of the City to retain the risk of losses related to: action of its police officers, general public liability (excluding vehicles and buildings), and a portion of employee medical and health benefits.

During the year ended April 30, 1996, the City adopted the provisions of GASB Statement No. 10, which establishes accounting and reporting standards of risk and insurance related activities of governmental entities. In accordance with the provisions of this statement, the City is reporting its risk retention activities in its General Fund, except for claims to be paid with future revenues, which are reported in the government-wide financial statements.

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended April 30, 2005. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

The City uses a combination of past history and specific claim analysis to estimate its liability for unpaid claims. The City does not discount the amount of claims to present value, nor has the City purchased any annuity contracts to settle estimated liabilities.



CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 14 RISK MANAGEMENT (CONTINUED)

Changes in the City's estimated claims liabilities for the years ended April 30, 2004 and 2005 were:

Liability balance, April 30, 2003	55,000
Claims and changes in estimate	165,000
Claims paid	<u>(44,000)</u>
Liability balance, April 30, 2004	176,000
Claims and changes in estimate	69,041
Claims paid	<u>(234,262)</u>
Liability balance, April 30, 2005	<u>\$ 10,779</u>

The liability balance of \$10,779 is to be paid with current funds and is reported in the General Fund. The General Fund's cash accounts include approximately \$70,000 set aside to cover this liability.

NOTE 15 PENDING LITIGATION

There are several claims pending against the City. The City's legal counsel has reviewed the City's claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City. It is the opinion of the City, after conferring with legal counsel, that the liabilities, if any, which might arise from these lawsuits would not have a material adverse effect on the City's financial position.

NOTE 16 COMPENSATION OF CITY OFFICIALS

A detail of compensation paid to the Mayor and City Council for the year ended April 30, 2005 follows:

	Salary	Expense Allowance	Car Allowance
<u>Mayor:</u>			
Raymond Harris, Jr.	\$ 25,846	\$ 2,093	\$ 2,483
Vincent J. St. Blanc III	25,554	1,438	2,526
<u>Council:</u>			
Jimmie Daniels II	6,000	1,800	-
Joseph Garrison	6,000	1,800	-
John O'Neill	6,000	1,800	-
Craig Pellerin	6,000	1,800	-
Kenny Scelfo	<u>6,000</u>	<u>1,800</u>	<u>-</u>
	<u>\$ 81,400</u>	<u>\$ 12,531</u>	<u>\$ 5,009</u>

## CITY OF FRANKLIN, LOUISIANA

### Notes to Financial Statements

#### NOTE 17 INTERGOVERNMENTAL AGREEMENTS

The City has entered into two agreements with the St. Mary Parish Council (Parish) as follows:

Under one agreement, the City has agreed to provide fire protection to areas outside of the city limits. The City receives a monthly fee for this service of approximately \$2,700.

The second agreement states that the City will operate and maintain a sewerage facility. Under this agreement, the Parish reimburses the City for 30% of these costs on a monthly basis.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three entities is to deposit into a Capital Maintenance Fund an amount equal to \$3,333 per year until the amount reaches the sum of \$50,000. At any time the fund falls below the \$50,000 threshold each entity is to replenish the fund the same equal basis until the fund is again at \$50,000. The District is in charge of overseeing the Capital Maintenance Fund and accounts for its activity, which has not been significant, on their separately issued financial statements.

#### NOTE 18 DEFERRED REVENUE HURRICANE LILI

In a prior year, Hurricane Lili struck the Louisiana coast. The City expended funds for hurricane preparation and as a result of damage due to high winds and severe weather, the City received Federal FEMA funds to help offset these expenditures. Some FEMA reimbursements were based on estimates to repair damaged facilities. FEMA funds received prior to year end for damages not repaired at year end is considered deferred revenue. Revenue will be recognized when expenses are incurred for the reimbursed damages. The amount of deferred revenue at year end is \$257,163. In addition, if actual expenses to repair damaged facilities are less than the estimates upon which reimbursements were based, the City may have to repay a portion of the funds to FEMA.

#### NOTE 19 SUBSEQUENT EVENT

On May 1, 2005, the City issued \$1,105,000 of Sales Tax Refunding Bonds, Series 2005A and \$355,000 of Sales Tax Refunding Bonds, Series 2005B. The proceeds of the Series 2005A Bonds will be used for the advance refunding of the callable maturities of the City's Sales Tax Bonds, Series ST-1996 dated November 1, 1996. The Series 2005A Bond is payable in annual installments of \$4,000 to \$122,000 plus interest at 3.97percent through November 1, 2016 and is secured with the City's 1% sales and use tax. The proceeds of the Series 2005B Bonds will be used for the current refunding of the City's outstanding Water and Sewer Revenue Bonds, Series 1995B, dated August 1, 1995. This bond is payable in annual installments of \$3,000 to \$42,000 plus interest at 3.89% through November 1, 2015 and is secured by revenues from the Utility and Liquid and Solid Waste Funds.

CITY OF FRANKLIN, LOUISIANA

Notes to Financial Statements

NOTE 20 SUBSEQUENT EVENTS (CONTINUED)

Subsequent to our report date, but prior to the final issuance of our report, Hurricanes Katrina and Rita hit the coasts of southeast and southwest Louisiana. The City of Franklin incurred approximately \$400,000 of additional expenditures due to these storms. Longer hours worked by fire and police personnel were a major contributor to these additional costs. Patrols had to be increased due to the influx of people coming into the community and the City sponsored several shelters which required additional security. Maintenance of the shelters also contributed to the extra costs in the form of labor, utilities, food and other costs. Wind damage and flooding were more prevalent with Hurricane Rita causing an increase in costs associated with debris removal. The water supply became saturated with salt and the City had to supply the residents with drinking water for approximately two and a half weeks; therefore, extra man hours were required in the recreation and public works departments.

These additional expenditures were incurred by the City of Franklin as a direct result of these storms and will not be covered by insurance. It is anticipated that reimbursement of approximately half of these costs may be funded by FEMA.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
General Fund  
Year Ended April 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 426,000	\$ 422,300	\$ 428,038	\$ 5,738
Interest and notices on ad valorem taxes	3,000	1,600	7,717	6,117
Sales	1,127,500	1,145,000	1,175,211	30,211
Franchise fees	385,000	400,000	406,532	6,532
	<u>1,941,500</u>	<u>1,968,900</u>	<u>2,017,498</u>	<u>48,598</u>
Intergovernmental:				
Beer taxes	18,000	20,000	15,113	(4,887)
Video poker	214,000	195,000	195,821	821
Indian mitigation	75,000	75,000	75,000	-
State grants	124,000	124,000	147,116	23,116
Federal grants	135,000	1,100	1,328	228
St. Mary Parish Council	57,000	91,100	148,312	57,212
	<u>623,000</u>	<u>506,200</u>	<u>582,690</u>	<u>76,490</u>
Licenses and permits	<u>294,000</u>	<u>289,300</u>	<u>260,624</u>	<u>(28,676)</u>
Fines and forfeits	<u>79,000</u>	<u>74,500</u>	<u>68,407</u>	<u>(6,093)</u>
Rentals	<u>19,500</u>	<u>24,900</u>	<u>25,877</u>	<u>977</u>
Investment earnings	<u>2,000</u>	<u>3,200</u>	<u>4,022</u>	<u>822</u>
Miscellaneous:				
Cemetery plot sales	10,000	21,000	18,950	(2,050)
Mausoleum sales	7,000	12,000	11,790	(210)
Other sources	89,000	148,000	99,026	(48,974)
	<u>106,000</u>	<u>181,000</u>	<u>129,766</u>	<u>(51,234)</u>
Total revenues	<u>3,065,000</u>	<u>3,048,000</u>	<u>3,088,884</u>	<u>40,884</u>

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule (Continued)

General Fund

Year Ended April 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures:				
General Government -				
Administrative	\$ 240,990	\$ 245,190	\$ 284,160	\$ (38,970)
Judicial	167,000	182,572	181,793	779
Public Safety -				
Police	910,600	965,000	970,520	(5,520)
Fire	326,700	312,000	359,999	(47,999)
Public works -				
Streets and drainage	555,955	572,097	581,808	(9,711)
Culture and recreation	285,500	306,140	311,907	(5,767)
Urban redevelopment	75,000	113,300	109,839	3,461
Other	175,300	143,300	186,644	(43,344)
Debt service -				
Principal	30,000	38,018	29,760	8,258
Interest and fiscal charges	4,000	4,885	5,281	(396)
Capital Outlay -				
Judicial	8,500	9,228	8,500	728
Police	21,000	21,500	15,673	5,827
Fire	135,000	88,000	41,155	46,845
Public works	8,145	10,000	6,299	3,701
Culture and recreation	-	2,360	3,299	(939)
Total expenditures	<u>2,943,690</u>	<u>3,013,590</u>	<u>3,096,637</u>	<u>(83,047)</u>
Excess (deficiency) of revenues over expenditures	<u>121,310</u>	<u>34,410</u>	<u>(7,753)</u>	<u>(42,163)</u>
Other financing sources (uses):				
Operating transfers in	429,000	431,500	430,302	(1,198)
Operating transfers out	<u>(446,810)</u>	<u>(465,910)</u>	<u>(478,640)</u>	<u>(12,730)</u>
Total other financing sources (uses)	<u>(17,810)</u>	<u>(34,410)</u>	<u>(48,338)</u>	<u>(13,928)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	103,500	-	(56,091)	(56,091)
Fund balance, beginning	<u>169,570</u>	<u>169,570</u>	<u>169,570</u>	-
Fund balance, ending	<u>\$ 273,070</u>	<u>\$ 169,570</u>	<u>\$ 113,479</u>	<u>\$ (56,091)</u>

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
Liquid and Solid Waste Fund  
Year Ended April 30, 2005

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Sales	\$ 816,000	\$ 790,000	\$ 816,862	\$ 26,862
Ad valorem	173,500	171,000	177,328	6,328
Intergovernmental:				
St. Mary Parish Council	148,000	152,000	148,650	(3,350)
Charges for services:				
Sewer user fees	305,000	295,000	277,074	(17,926)
Garbage and landfill fees	344,000	322,300	336,325	14,025
Other	500	-	-	-
Investment earnings	500	300	325	25
Total revenues	<u>1,787,500</u>	<u>1,730,600</u>	<u>1,756,564</u>	<u>25,964</u>
Expenditures:				
Sanitation:				
Administrative	258,990	271,450	248,829	22,621
Solid waste department	420,000	420,000	478,220	(58,220)
Sewer collection	188,900	208,800	203,356	5,444
Sewer plant	509,000	497,500	478,988	18,512
Meter department	30,150	30,300	27,475	2,825
Total expenditures	<u>1,407,040</u>	<u>1,428,050</u>	<u>1,436,868</u>	<u>(8,818)</u>
Excess of revenues over expenditures	380,460	302,550	319,696	17,146
Other financing sources (uses)				
Operating transfers in	15,826	15,939	15,439	(500)
Operating transfers out	<u>(308,829)</u>	<u>(306,143)</u>	<u>(305,598)</u>	<u>545</u>
Total other financing sources (uses)	<u>(293,003)</u>	<u>(290,204)</u>	<u>(290,159)</u>	<u>45</u>
Excess of revenues over other uses	87,457	12,346	29,537	17,191
Fund balance, beginning	<u>637,686</u>	<u>637,686</u>	<u>637,686</u>	<u>-</u>
Fund balance, ending	<u>\$ 725,143</u>	<u>\$ 650,032</u>	<u>\$ 667,223</u>	<u>\$ 17,191</u>

## **SUPPLEMENTAL INFORMATION**



## CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds  
April 30, 2005

	Special Revenue				
	Summer Feeding Program Fund	Public Safety Fund	Revolving Loan Fund	W. McKerral O'Neill Shell Fund	Narcotic Aid Fund
<b>ASSETS</b>					
Cash and interest bearing deposits	\$ -	\$ -	\$ 136,392	\$ 20,573	\$ 14,766
Taxes receivable	-	35,559	-	-	-
Loans receivable, net of allowance	-	-	-	10,014	-
Delinquent assessments receivable	-	-	-	-	-
Bond issue costs, net	-	-	-	-	-
Due from other funds	<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 163</u>	<u>\$ 35,559</u>	<u>\$ 136,392</u>	<u>\$ 30,587</u>	<u>\$ 14,766</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Due to other funds	\$ <u>163</u>	\$ <u>20</u>	\$ <u>500</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>163</u>	<u>20</u>	<u>500</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Reserved -					
Debt service	-	-	-	-	-
Perpetual care	-	-	-	-	-
Unreserved -					
Undesignated	<u>-</u>	<u>35,539</u>	<u>135,892</u>	<u>30,587</u>	<u>14,766</u>
Total fund balances	<u>-</u>	<u>35,539</u>	<u>135,892</u>	<u>30,587</u>	<u>14,766</u>
Total liabilities and fund balances	<u>\$ 163</u>	<u>\$ 35,559</u>	<u>\$ 136,392</u>	<u>\$ 30,587</u>	<u>\$ 14,766</u>

Special Revenue (Continued)			Capital Projects		
2000 Water & Sewer System Renewal and Replacement Fund	LCDBG Housing Grant	Mausoleum Endowed Care	LCDBG Economic Development Fund	Capital Outlay Fund	West St. Mary Civic Center Fund
\$ 75,221	\$ 1,479	\$ 8,963	\$ 4,246	\$ 101,337	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	73	-	-	-
<u>\$ 75,221</u>	<u>\$ 1,479</u>	<u>\$ 9,036</u>	<u>\$ 4,246</u>	<u>\$ 101,337</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,400	\$ -
-	-	-	-	12,400	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>75,221</u>	<u>1,479</u>	<u>9,036</u>	<u>4,246</u>	<u>88,937</u>	<u>-</u>
<u>75,221</u>	<u>1,479</u>	<u>9,036</u>	<u>4,246</u>	<u>88,937</u>	<u>-</u>
<u>\$ 75,221</u>	<u>\$ 1,479</u>	<u>\$ 9,036</u>	<u>\$ 4,246</u>	<u>\$ 101,337</u>	<u>\$ -</u>

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
April 30, 2005

	Capital Projects	Debt Service			
		1996 Public	1996 Public	1995 Water &	
	Consolidated	Improvement	Improvement	Sewer Revenue	
	Sewerage	Sales Tax	Sales Tax	Bond Sinking	
	District No. 1	Bond	Bond	Fund	
	Sinking Fund	Sinking Fund	Reserve Fund		
	Industrial Park Fund				
ASSETS					
Cash and interest bearing deposits	\$ -	\$ 2,196	\$ -	\$ -	\$ 18,957
Taxes receivable	-	-	-	-	-
Loans receivable, net of allowance	-	-	-	-	-
Delinquent assessments receivable	-	281	-	-	-
Bond issue costs, net	-	-	-	-	-
Due from other funds	-	77	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,957</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
Fund balances:					
Reserved -					
Debt service	-	2,554	-	-	18,957
Perpetual care	-	-	-	-	-
Unreserved -					
Undesignated	-	-	-	-	-
Total fund balances	-	2,554	-	-	18,957
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,957</u>

Debt Service (Continued)

1995 Water & Sewer Revenue Bond Reserve Fund	Sales Tax Bond Sinking Fund 1996	Sales Tax Bond Reserve Fund 1996	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water & Sewer Revenue Bond Sinking Fund	2000 Water & Sewer Revenue Bond Reserve Fund
\$ 34,976	\$ 42,184	\$ 153,688	\$ 34,408	\$ 51,749	\$ 54,992
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,622	-	2,179	-
<u>\$ 34,976</u>	<u>\$ 42,184</u>	<u>\$ 155,310</u>	<u>\$ 34,408</u>	<u>\$ 53,928</u>	<u>\$ 54,992</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,179
-	-	-	-	-	2,179
34,976	42,184	155,310	34,408	53,928	52,813
-	-	-	-	-	-
-	-	-	-	-	-
<u>34,976</u>	<u>42,184</u>	<u>155,310</u>	<u>34,408</u>	<u>53,928</u>	<u>52,813</u>
<u>\$ 34,976</u>	<u>\$ 42,184</u>	<u>\$ 155,310</u>	<u>\$ 34,408</u>	<u>\$ 53,928</u>	<u>\$ 54,992</u>

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
April 30, 2005

	<u>Debt Service (Continued)</u>		<u>Permanent Fund</u>	
	<u>Excess Revenue Sinking Fund</u>	<u>2004 Taxable Certificates of Indebtedness Sinking Fund</u>	<u>2000 Cemetery Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and interest bearing deposits	\$ 51,143	\$ 23,321	\$ 32,564	\$ 863,155
Taxes receivable	-	-	-	35,559
Loans receivable, net of allowance	-	-	-	10,014
Delinquent assessments receivable	-	-	-	281
Bond issue costs, net	6,104	2,274	-	8,378
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,114</u>
Total assets	<u>\$ 57,247</u>	<u>\$ 25,595</u>	<u>\$ 32,564</u>	<u>\$ 921,501</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ 15,262
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262</u>
Fund balances:				
Reserved -				
Debt service	57,247	25,595	-	477,972
Perpetual care	-	-	32,564	32,564
Unreserved -				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,703</u>
Total fund balances	<u>57,247</u>	<u>25,595</u>	<u>32,564</u>	<u>906,239</u>
Total liabilities and fund balances	<u>\$ 57,247</u>	<u>\$ 25,595</u>	<u>\$ 32,564</u>	<u>\$ 921,501</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended April 30, 2005

	Special Revenue				
	Summer Feeding Program Fund	Public Safety Fund	Revolving Loan Fund	W. McKerall O'Neill Shell Fund	Narcotic Aid Fund
Revenues:					
Taxes	\$ -	\$ 209,552	\$ -	\$ -	\$ -
Intergovernmental					
Federal grant	44,540	-	-	-	-
State grant	-	-	-	-	-
Parish grant	-	-	-	-	-
Charges for services	-	-	-	-	22,979
Investment earnings	-	-	2,124	1,679	-
Miscellaneous	-	-	11,815	-	-
Total revenues	<u>44,540</u>	<u>209,552</u>	<u>13,939</u>	<u>1,679</u>	<u>22,979</u>
Expenditures:					
Current -					
General government:					
Administrative	-	-	-	21	-
Culture and recreation	-	-	-	-	-
Urban redevelopment	-	-	-	-	-
Other program expenditures	45,941	-	-	-	23,576
Capital outlay	-	-	-	-	-
Debt Service -					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	<u>45,941</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>23,576</u>
Excess (deficiency) of revenues over expenditures	<u>(1,401)</u>	<u>209,552</u>	<u>13,939</u>	<u>1,658</u>	<u>(597)</u>
Other financing sources (uses)					
Bond proceeds	-	-	-	-	-
Operating transfers in	3,090	-	-	-	-
Operating transfers out	-	(211,723)	-	-	-
Payment to retirement system	-	-	-	-	-
Total other financing sources	<u>3,090</u>	<u>(211,723)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>1,689</u>	<u>(2,171)</u>	<u>13,939</u>	<u>1,658</u>	<u>(597)</u>
Fund balances, beginning of year	<u>(1,689)</u>	<u>37,710</u>	<u>121,953</u>	<u>28,929</u>	<u>15,363</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 35,539</u>	<u>\$ 135,892</u>	<u>\$ 30,587</u>	<u>\$ 14,766</u>

Special Revenue (Continued)			Capital Projects		
2000 Water & Sewer System Renewal and Replacement Fund	LCDBG Housing Grant	Mausoleum Endowed Care	LCDBG Economic Development Fund	Capital Outlay Fund	West St. Mary Civic Center Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	146,668	-	-	-	-
-	-	-	-	140,235	-
-	-	-	-	38,510	-
-	-	-	-	-	-
586	-	138	-	1,627	28
-	-	-	13,750	-	-
<u>586</u>	<u>146,668</u>	<u>138</u>	<u>13,750</u>	<u>180,372</u>	<u>28</u>
-	-	-	-	2,408	-
-	-	-	-	-	58
-	146,752	-	-	-	-
-	-	180	-	-	-
-	-	10,000	-	239,409	-
-	-	-	15,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>146,752</u>	<u>10,180</u>	<u>15,000</u>	<u>241,817</u>	<u>58</u>
<u>586</u>	<u>(84)</u>	<u>(10,042)</u>	<u>(1,250)</u>	<u>(61,445)</u>	<u>(30)</u>
-	-	-	-	-	-
17,404	-	1,004	-	27,669	-
-	-	-	-	(6,806)	-
-	-	-	-	-	-
<u>17,404</u>	<u>-</u>	<u>1,004</u>	<u>-</u>	<u>20,863</u>	<u>-</u>
17,990	(84)	(9,038)	(1,250)	(40,582)	(30)
<u>57,231</u>	<u>1,563</u>	<u>18,074</u>	<u>5,496</u>	<u>129,519</u>	<u>30</u>
<u>\$ 75,221</u>	<u>\$ 1,479</u>	<u>\$ 9,036</u>	<u>\$ 4,246</u>	<u>\$ 88,937</u>	<u>\$ -</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended April 30, 2005

	Capital Projects		Debt Service		
	Industrial Park Fund	Consolidated Sewerage District No. 1 Sinking Fund	1996 Public Improvement Sales Tax Bond Sinking Fund	1996 Public Improvement Sales Tax Bond Reserve Fund	1995 Water & Sewer Revenue Bond Sinking Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Parish grant	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	40	224	1,093	1,919	365
Miscellaneous	-	1,679	-	-	-
Total revenues	<u>40</u>	<u>1,903</u>	<u>1,093</u>	<u>1,919</u>	<u>365</u>
Expenditures:					
Current -					
General government:					
Administrative	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban redevelopment	-	-	-	-	-
Other program expenditures	-	-	-	-	-
Capital outlay	21,632	-	-	-	-
Debt Service -					
Principal	-	5,012	220,000	-	20,000
Interest	-	657	10,120	-	7,640
Miscellaneous	-	570	-	-	-
Total expenditures	<u>21,632</u>	<u>6,239</u>	<u>230,120</u>	<u>-</u>	<u>27,640</u>
Excess (deficiency) of revenues over expenditures	<u>(21,592)</u>	<u>(4,336)</u>	<u>(229,027)</u>	<u>1,919</u>	<u>(27,275)</u>
Other financing sources (uses)					
Bond proceeds	-	-	-	-	-
Operating transfer in	19,623	-	235,982	-	28,237
Operating transfers out	-	-	(15,439)	(234,726)	-
Payment to retirement system	-	-	-	-	-
Total other financing sources (uses)	<u>19,623</u>	<u>-</u>	<u>220,543</u>	<u>(234,726)</u>	<u>28,237</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(1,969)</u>	<u>(4,336)</u>	<u>(8,484)</u>	<u>(232,807)</u>	<u>962</u>
Fund balances, beginning of year	<u>1,969</u>	<u>6,890</u>	<u>8,484</u>	<u>232,807</u>	<u>17,995</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,957</u>



Debt Service (Continued)

1995 Water & Sewer Revenue Bond Reserve Fund	Sales Tax Bond Sinking Fund 1996	Sales Tax Bond Reserve Fund 1996	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water & Sewer Revenue Bond Sinking Fund	2000 Water & Sewer Revenue Bond Reserve Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
460	494	7,097	286	581	447
-	-	-	-	-	-
<u>460</u>	<u>494</u>	<u>7,097</u>	<u>286</u>	<u>581</u>	<u>447</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	70,000	-	62,421	29,000	-
-	69,189	-	10,133	26,741	-
-	-	-	-	-	-
<u>-</u>	<u>139,189</u>	<u>-</u>	<u>72,554</u>	<u>55,741</u>	<u>-</u>
<u>460</u>	<u>(138,695)</u>	<u>7,097</u>	<u>(72,268)</u>	<u>(55,160)</u>	<u>447</u>
-	-	-	-	-	-
-	152,729	-	85,127	52,356	9,076
(460)	(12,500)	(7,097)	-	-	-
-	-	-	-	-	-
<u>(460)</u>	<u>140,229</u>	<u>(7,097)</u>	<u>85,127</u>	<u>52,356</u>	<u>9,076</u>
-	1,534	-	12,859	(2,804)	9,523
<u>34,976</u>	<u>40,650</u>	<u>155,310</u>	<u>21,549</u>	<u>56,732</u>	<u>43,290</u>
<u>\$ 34,976</u>	<u>\$ 42,184</u>	<u>\$ 155,310</u>	<u>\$ 34,408</u>	<u>\$ 53,928</u>	<u>\$ 52,813</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended April 30, 2005

	Debt Service (Continued)		Permanent Fund	
	Excess Revenue Sinking Fund	2004 Taxable Certificates of Indebtedness Sinking Fund	2000 Cemetery Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 209,552
Intergovernmental				
Federal grant	-	-	-	191,208
State grant	-	-	-	140,235
Parish grant	-	-	-	38,510
Charges for services	-	-	-	22,979
Investment earnings	888	460	288	20,824
Miscellaneous	-	-	-	27,244
Total revenues	<u>888</u>	<u>460</u>	<u>288</u>	<u>650,552</u>
Expenditures:				
Current -				
General government:				
Administrative	-	-	-	2,429
Culture and recreation	-	-	-	58
Urban redevelopment	-	-	-	146,752
Other program expenditures	1,221	-	-	70,918
Capital outlay	-	-	-	271,041
Debt Service -				
Principal	115,000	5,000	-	541,433
Interest	9,491	3,885	-	137,856
Miscellaneous	-	273	-	843
Total expenditures	<u>125,712</u>	<u>9,158</u>	<u>-</u>	<u>1,171,330</u>
Excess (deficiency) of revenues over expenditures	<u>(124,824)</u>	<u>(8,698)</u>	<u>288</u>	<u>(520,778)</u>
Other financing sources (uses):				
Bond proceeds	-	160,000	-	160,000
Operating transfers in	130,295	72,613	-	835,205
Operating transfers out	-	-	(288)	(489,039)
Payment to retirement system	-	(198,320)	-	(198,320)
Total other financing sources (uses)	<u>130,295</u>	<u>34,293</u>	<u>(288)</u>	<u>307,846</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>5,471</u>	<u>25,595</u>	<u>-</u>	<u>(212,932)</u>
Fund balances, beginning of year	<u>51,776</u>	<u>-</u>	<u>32,564</u>	<u>1,119,171</u>
Fund balances, end of year	<u>\$ 57,247</u>	<u>\$ 25,595</u>	<u>\$ 32,564</u>	<u>\$ 906,239</u>

**INTERNAL CONTROL  
AND  
COMPLIANCE**



## Darnall, Sikes, Gardes Frederick

(A Corporation of Certified Public Accountants)

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Raymond Harris Jr., Mayor  
and Members of the City Council  
City of Franklin, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2005, which collectively comprise the City of Franklin, Louisiana's basic financial statements and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City of Franklin, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed six instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are reported as 05-1 through 05-6.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Franklin, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Franklin, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the primary government financial statements. We noted no matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions.

Eugene H. Darnall, CPA, Retired 1990  
Paula D. Bihm, CPA Deceased 2002

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions.

This report is intended for the information and use of the management, federal awarding agencies, and pass through entities. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana  
August 17, 2005

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended April 30, 2005

- 04-1 Finding: Timeliness of Audit  
Status: This finding has been resolved.
- 04-2 Finding: Fund Deficit  
Status: There were no fund deficits noted during the course of the current year audit.
- 04-3 Finding: Budget Amendment Compliance  
Status: There were no budget law violations noted during the course of the current year audit.
- 04-4 Finding: Auto Allowances  
Status: This finding is unresolved. See current year finding 05-1.
- 04-5 Finding: Firefighter's Callout Pay Reporting  
Status: This finding is unresolved. See current year finding 05-2.
- 04-6 Finding: Employee Not in Retirement System  
Status: There were no instances of employees being omitted from the retirement plans offered by the City noted during the audit of the current year.
- 04-7 Finding: Cash Collateralization  
Status: Under collateralization of cash accounts was not noted during the current year audit.
- 04-8 Finding: Collection of Accounts Receivable  
Status: This finding has been resolved.

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings (Continued)  
Year Ended April 30, 2005

04-9 Finding: Occupational Licenses

Status: This finding has been resolved.

04-10 Finding: Fixed Assets

Status: We noted no instances of significant fixed assets being omitted from the detailed fixed asset listing during the course of the current year audit.

04-11 Finding: Noncompliance with City Personnel Policies

Status: We noted no instances of City personnel policies being violated during the course of the current year audit.

04-12 Finding: Utility Deposits

Status: We noted no instances of customer deposits not being recorded timely during the course of the current year audit.

04-13 Finding: Community Development Block Grant/Small Cities Program

Status: This finding is unresolved. See current year finding 05-6.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs  
Year Ended April 30, 2005

Part 1 Summary of Audit Results

FINANCIAL STATEMENTS

Auditor's Report

A qualified opinion has been issued on the City of Franklin's basic financial statements as of and for the year ended April 30, 2005 due to lack of proper reporting of certain pension related costs.

Reportable Conditions - Financial Reporting

We noted no reportable conditions in internal control over financial reporting during the audit of the financial statements.

Material Noncompliance - Financial Reporting

The results of our tests disclosed instances of noncompliance which are required to be reported under Government Auditing Standards which are shown as items 05-1 through 05-6 in Part 2.

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*

05-1 Auto Allowances

Finding:

Automobile allowances for certain employees was not included in the gross salaries of the individuals receiving the allowances resulting in a violation of Federal payroll tax reporting laws.

Recommendation:

All auto allowances should be included in the respective employee's gross wages and the proper payroll taxes withheld.

05-2 Firefighters' Callout Pay Reporting

Finding:

Off duty firefighters are compensated an extra \$100 per month if they respond to at least 25% of the received calls per month. This pay is not included in their gross salary amount and as such payroll taxes are not deducted. This is a violation of the Federal payroll tax reporting laws.

Recommendation:

The City should implement procedures to ensure that all amounts that should be reported as compensation be included in the gross wages of the employees and the associated payroll taxes withheld.



CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs - Continued  
Year Ended April 30, 2005

05-3 Unclaimed Property Law Violations

Finding:

The City failed to turn over unclaimed customer deposits to the Louisiana Department of Treasury as required by LA. R.S. 9:151-181.

Recommendation:

The City should implement procedures to assure that all unclaimed customer deposits are reported to the Louisiana Department of Treasury annually.

05-4 Mausoleum Endowed Care Fund

Finding:

The City failed to deposit 10% of mausoleum sales to the Mausoleum Endowed Care Fund as required by LA. R.S. 8, Section 451-467.

Recommendation:

The City should implement procedures to assure that 10% of mausoleum sales are deposited into the Mausoleum Endowed Care Fund.

05-5 Sinking Fund Transfer Not Made Timely

Finding:

Sinking fund transfers were not consistently made on or before the twentieth of the month.

Recommendation:

The City should implement procedures to ensure that all sinking fund payments are made on or before the twentieth of each month.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs - Continued  
Year Ended April 30, 2005

Part 3 Findings and Questioned Costs Relating to the Federal Program

The City of Franklin did not meet the requirements to have a single audit in accordance with OMB Circular A-133 for fiscal year ended April 30, 2005, there was however, a finding from the prior year audit that is still not resolved as of current year audit.

05-6 Community Development Block Grant/Small Cities Program

Finding:

Annual report prepared by a certified public accountant from the Ameripure Oyster Companies (Developer) is not submitted to the City of Franklin as required by the contract between the Developer and the City of Franklin.

Recommendation:

The City should continue to request the required reports as specified in the contract between the City and the Developer.

CITY OF FRANKLIN, LOUISIANA

Management's Corrective Action Plan For Current Year Findings  
Year Ended April 30, 2005

Response to Finding 05-1:

Procedures have been implemented to assure that auto allowances are included in the respective receiving employee's gross pay in compliance with federal payroll tax laws.

Response to Finding 05-2:

Procedures have been implemented to assure that callout pay is included in the respective receiving employee's gross pay in compliance with federal payroll tax laws.

Response to Finding 05-3:

The City is in the process of forwarding unclaimed customer deposits to the state and will promptly forward all unclaimed deposits in the future.

Response to Finding 05-4:

The City has implemented procedures that ensure that 10% of all mausoleum sales are promptly deposited into the Mausoleum Endowed Care Fund.

Response to Finding 05-5:

The City has implemented procedures that ensure that all sinking fund deposits are made on or before the 20<sup>th</sup> of each month.

Response to Finding 05-6:

The City will continue to request information required by the contract as it has in the past.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA  
Schedule of Sewerage Rates and Billings  
(Unaudited)  
For the Year Ended April 30, 2005

		Billing Amounts
May 2004	Fee based on consumption	\$ 26,610
June 2004		23,237
July 2004		21,394
August 2004		27,251
September 2004		19,682
October 2004		25,773
November 2004		26,632
December 2004		20,977
January 2005		28,382
February 2005		31,731
March 2005		24,796
April 2005		22,295
		<u>\$ 298,760</u>

The number of system users at the end of the fiscal year was 3,033.  
The average monthly billing per user was \$8.21.

The fee is based on water consumption set at:  
\$1.60 minimum up to 2,000 gallons.  
\$1.20 per 1,000 gallons from 2001 to 20,000 gallons.

CITY OF FRANKLIN, LOUISIANA

Schedule of Water Rates and Billings  
(Unaudited)

For the Year Ended April 30, 2005

		Billing Amounts
May 2004	Fee based on consumption	\$ 71,287
June 2004		60,768
July 2004		59,068
August 2004		70,514
September 2004		52,481
October 2004		70,612
November 2004		71,345
December 2004		56,197
January 2005		76,033
February 2005		85,006
March 2005		66,428
April 2005		59,728
		<u>\$ 799,467</u>

The number of system users at the end of the fiscal year was 3,033.

The average monthly billing per user was \$21.97

The fee is based on water consumption set at:

\$5.57 minimum up to 2,000 gallons

\$3.63 per 1,000 gallons from 2,001 to 13,000 gallons.

\$2.93 per 1,000 gallons from 13,001 to 50,000 gallons.

\$2.76 per 1,000 gallons thereafter.

# CITY OF FRANKLIN, LOUISIANA

## Schedule of Insurance in Force (Unaudited) April 30, 2005

Description of Coverage	Amount of Limits	Expires	Company
Workmen's Compensation -	Statutory Louisiana Benefits \$500,000 each accident \$500,000 each employee \$500,000 each policy	7/12/2005	Louisiana Workers Comp. Corp.
Business Automobile	auto liability - \$750,000 fire vehicles - \$1,000,000	12/31/2005 10/4/2005	Clarendon National Insurance Co. American Alternative Ins. Corp.
Surety Bond	\$60,000 - Mayor \$60,000 - Director of Administration \$20,000 - other employees \$60,000 - Tax Collector \$5,000 City Marshall \$1,000 Court Clerk \$5,000 City Deputy Marshall \$5,000 City Deputy Marshall	9/20/2005 9/20/2005 9/20/2005 9/20/2005 5/5/2005 10/1/2005 5/5/2005 5/5/2005	CNA Surety CNA Surety CNA Surety CNA Surety CNA Surety CNA Surety CNA Surety CNA Surety
Fire and Extended Coverage	All City Buildings - \$6,078,674	3/11/2006	Westchester Surplus Lines
Premises Liability	Bodily Injury & Damage \$2,000,000	5/1/2005	Scottsdale Insurance
Computer Coverage	\$108,531	11/22/2005	Hartford
Machinery Breakdown Policy	\$7,100,000 - Water and Sewer Plant Machinery	1/8/2006	Hartford
General Liability	\$1,000,000 Personal Injury \$50,000 - Fire Legal	5/1/2005	Scottsdale Insurance Co.
Health Benefit Plan	\$10,000 Individual Coverage		Self Insured
Fire Alarm	\$10,500	5/1/2005	General Star Indemnity Co.
Commercial Property	\$820,000 --300 Iberia St.	3/11/2006	Westchester Surplus Lines
Fire & Extended Coverage	\$30,000 - 517 Third St.	3/11/2006	LA Reinsurance (Fair) Plan
Liability	\$18,600--Backhoe Loader \$34,070 --Caterpillar Backhoe \$128,000 --Gradall \$31,000 - Galium Packer Roller	7/2/2005	Fireman's Fund Insurance Co.

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to  
1995 Water & Sewer Revenue Bond Debt Service  
For the Year Ended April 30, 2005

	Sinking Funds			Reserve Funds		
	1995 Water & Sewer Renewal & Replacement Fund	1995 Water & Sewer Revenue Bonds	Utility Fund	1995 Water & Sewer Revenue Bonds	Utility Fund	Total Reserve Funds
Cash, May 1, 2004	\$ 181,885	\$ 17,997	\$ 13,431	\$ 34,976	\$ 52,200	\$ 87,176
Cash receipts:						
Interest earned on account	1,861	374	205	460	46	506
Transfer from operating account	106,558	27,777	54,181	-	-	-
Transfer from reserve account	-	450	-	-	-	-
Total cash receipts	<u>108,419</u>	<u>28,601</u>	<u>54,386</u>	<u>460</u>	<u>46</u>	<u>506</u>
Cash disbursements:						
Interest and bank charges	-	7,641	28,340	-	-	-
Principal payments	-	20,000	25,000	-	-	-
Transfers to operating account	<u>146,640</u>	-	-	<u>460</u>	<u>46</u>	<u>506</u>
Total cash disbursements	<u>146,640</u>	<u>27,641</u>	<u>53,340</u>	<u>460</u>	<u>46</u>	<u>506</u>
Cash, April 30, 2005	<u>\$ 143,664</u>	<u>\$ 18,957</u>	<u>\$ 14,477</u>	<u>\$ 34,976</u>	<u>\$ 52,200</u>	<u>\$ 87,176</u>